

AMENDED IN SENATE SEPTEMBER 9, 2003

AMENDED IN SENATE AUGUST 27, 2003

AMENDED IN SENATE JULY 15, 2003

AMENDED IN ASSEMBLY JUNE 2, 2003

AMENDED IN ASSEMBLY APRIL 24, 2003

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

ASSEMBLY BILL

No. 990

**Introduced by Assembly Member Ridley-Thomas
(Coauthors: Assembly Members Chavez, Corbett, Frommer,
Oropeza, and Steinberg)**

February 20, 2003

An act to add Article 2.7 (commencing with Section 12025) to Chapter 1 of Part 2 of Division 3 of Title 2 of the Government Code, relating to state government.

LEGISLATIVE COUNSEL'S DIGEST

AB 990, as amended, Ridley-Thomas. State government: Tax Expenditures Report.

Existing law requires the Governor to annually issue a report to the public on the expenditures for support of his or her office, and to submit a budget to the Legislature within the first 10 days of each regular session that includes, among other things, a complete plan and itemized statement of all proposed expenditures of the state, provided for by existing law or recommended by the Governor, and of all estimated revenues.

This bill would ~~additionally~~ require the ~~Governor~~ *Legislative Analyst's Office* to, on or before January 10, 2004, and on or before that date in each succeeding year, submit to the Legislature, ~~in conjunction with the Governor's budget~~, a report of the tax expenditures, as defined, currently in effect. This bill would require the Senate Committee on Budget and Fiscal Review and the Assembly Committee on Budget to consider the report in conjunction with the annual Budget Act, and to evaluate the relative priority of each tax expenditure based on specified criteria, as compared with all state expenditures.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. This act shall be known, and may be cited as, the
2 California Tax Expenditure Accountability Act.

3 SEC. 2. Article 2.7 (commencing with Section 12025) is
4 added to Chapter 1 of Part 2 of Division 3 of Title 2 of the
5 Government Code, to read:

6
7 Article 2.7. Tax Expenditures Report
8

9 12025. As used in this article, "tax expenditure" or "tax
10 expenditures" means a credit, deduction, exclusion, exemption, or
11 any other tax benefit as may be provided for by state law.

12 12026. On or before January 10, 2004, and on or before
13 January 10 in each year thereafter, ~~in conjunction with the~~
14 ~~Governor's budget submitted pursuant to Section 13337, the~~
15 ~~Governor~~ *the Legislative Analyst's Office* shall submit to the
16 Legislature a report of the tax expenditures currently in effect,
17 including those tax expenditures set forth in the Personal Income
18 Tax Law (Part 10 (commencing with Section 17001) of Division
19 2 of the Revenue and Taxation Code), the Corporation Tax Law
20 (Part 11 (commencing with Section 23001) of Division 2 of the
21 Revenue and Taxation Code), and the Sales and Use Tax Law (Part
22 1 (commencing with Section 6001) of Division 2 of the Revenue
23 and Taxation Code). The report shall contain the following
24 information:

- 25 (a) A description of each tax expenditure.
26 (b) The statutory or legal authority for each tax expenditure.



(c) An estimate of revenue loss for the most recent fiscal year for each tax expenditure.

12027. The report required by Section 12025 to be submitted with the Governor's budget 12026 shall be considered by the Senate Committee on Budget and Fiscal Review and the Assembly Committee on Budget in conjunction with each committee's consideration of the annual Budget Act. In their considerations, the committees shall evaluate the relative priority of each tax expenditure as compared with all state expenditures. Criteria for this evaluation shall include, but not be limited to, the following:

(a) The original intent of the tax expenditure.

(b) The number of tax returns or taxpayers affected by the tax expenditure.

(c) The distribution of each tax expenditure, where feasible, as follows:

(1) For expenditures under the Corporation Tax Law, by size of the business or industry, by size of gross receipts, and by type of business or industry.

(2) For expenditures under the Personal Income Tax Law, by income tax brackets.

(d) The state and local revenue loss associated with each tax expenditure.

(e) The conditions under which the tax expenditure should be viewed as a successful policy tool.

(f) Potential policy alternatives for achieving the policy goals of the tax expenditures.

(g) The feasibility of repealing or continuing each tax expenditure.